

**BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA**

DOCKET NO. 2014-____-G

In the Matter of:)	
)	
Request of Piedmont Natural Gas)	PETITION FOR
Company, Inc. for Limited Waiver of)	LIMITED WAIVER
Rate Schedule 206 Billing Procedures)	

Pursuant to South Carolina Code § 58-5-210 and Commission Rule 103-403, Piedmont Natural Gas Company, Inc. (“Piedmont”) requests that the Commission issue an order granting Piedmont a limited waiver of its Rate Schedule 206 billing procedures for “Emergency Service” received by two Piedmont interruptible transportation customers during the extreme cold weather experienced in the month of January 2014 during which Piedmont had Operational Orders in effect restricting customer utilization of gas. In particular, Piedmont seeks authorization to waive the Rate Schedule 206 requirement that its curtailed interruptible transportation customers pay the commodity index component of the formula rates specified for “Emergency Service” during periods where such customers were curtailed and during which they provided their own gas to Piedmont’s system to support Emergency Service. In support of this Petition, Piedmont respectfully shows unto the Commission as follows:

1. It is respectfully requested that any notices or other communications with respect to this Petition be sent to:

Jane Lewis-Raymond
Senior Vice President and Chief Legal, Compliance and External Relations Officer
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And

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2. Piedmont is incorporated under the laws of the state of North Carolina and is duly authorized by its Articles of Incorporation to engage in the business of transporting, distributing, and selling natural gas. It is duly domesticated and is engaged in conducting the business above-mentioned in the states of South Carolina, North Carolina, and Tennessee. Piedmont is a public utility under the laws of this State, and its public utility operations in South Carolina are subject to the jurisdiction of this Commission.

3. During the month of January 2014, South Carolina experienced several extended periods of extremely cold temperatures caused by so-called polar vortex events. In response to the forecasts predicting these events, Piedmont issued a series of “Operational Orders” which directed customers to take certain actions to restrict or modify their utilization of natural gas during anticipated periods of very high

demand.¹ These orders were issued by Piedmont in order to ensure the stability of its system and preserve its ability to make delivery of natural gas to its firm, high-priority, heat sensitive customers during such events of extreme demand.

4. In addition to these orders, Piedmont also directly contacted certain interruptible sales and transportation customers at various times during the month of January and directed them to cease using gas. These directions to specified interruptible customers to temporarily terminate the use of gas were, in all cases, the result of prevailing pressure conditions on Piedmont's system in the vicinity of the impacted customers and were undertaken to preserve Piedmont's ability to maintain firm service on the effected part of Piedmont's system.²

5. These geographically limited interruptions of service occurred on 9 days during the month of January 2014 and involved three Piedmont customers receiving interruptible transportation service under Rate Schedule 214.

6. Under Piedmont's tariffs, customers subject to interruption have the right to request "Emergency Service" in order to avoid interruption. The provision of such service is within the discretion of Piedmont and is only made available if it will not threaten the continued provision of service to Piedmont's firm customers. Significantly, Emergency Service represents an alternative discretionary commercial arrangement for the provision of natural gas service during periods where interruption of service would otherwise be required. It does not, in any way, however, reflect the utilization of natural gas in violation of Piedmont's tariffs.

¹ Piedmont's right and ability to restrict customer usage through "Operational Orders" is established by Sections 21 and 22 of its South Carolina Service Regulations as well as the provisions of its applicable Rate Schedules – including Rate Schedule 206.

² At no time during the month of January 2014 was it necessary for Piedmont to issue a general interruption order applicable to all its interruptible customers. Instead, as noted above, its interruption orders were specifically targeted to portions of its system that were facing operational pressure issues.

7. Pursuant to Piedmont's Rate Schedule 206, Emergency Service is subject to a rate which consists of three components: (1) a transportation or sales rate depending on whether the underlying service is provided under Rate Schedule 204 or Rate Schedule 214; (2) a premium charge of \$1.00 per therm reflecting the extraordinary nature of the service; and (3) a compensatory commodity rate calculated as the higher of two commodity indexes applicable to the period of service.

8. It should be noted that the interruption of service is a voluntary act by Piedmont's customers in response to a Piedmont directive to cease utilizing gas service. This is the result of the fact that Piedmont does not have electronically controlled flow valves in place at every Rate Schedule 204 and Rate Schedule 214 customer location and, instead, relies on a customer's good faith compliance with Piedmont's Operational Orders. In the face of such an order, any continued utilization of gas by an interruptible customer is prohibited and constitutes the receipt of "Unauthorized Gas" by that customer.

9. The specific days upon which Piedmont directed specified interruptible customers to cease using gas were January 6th – 8th, January 23rd – 24th and January 27th – 30th ("Curtailment Days"). During the specified Curtailment Days, two customers receiving service under Rate Schedule 214 requested and received Emergency Service.

10. The total quantity of Emergency Service provided by Piedmont during the Curtailment Days was 11,470 therms. This quantity of gas was *de minimus* in nature compared to the total system throughput in South Carolina during the Curtailment Days of approximately 16 million therms. A schedule summarizing the

usage by Rate Schedule 214 customers of Emergency Service during the Curtailment Days is attached hereto as Exhibit A and incorporated herein by reference.

11. Exhibit A illustrates that only two transportation customers receiving service under Rate Schedule 214 received Emergency Service. The total amount of such gas received by these customers was 11,470 therms. In each case, the Emergency Service quantities received by these transportation customers were matched by equivalent quantities of gas received by Piedmont at its Transco citygate delivery points for their respective accounts.

12. During the Curtailment Days, the higher of the two commodity price indices identified in Piedmont's Rate Schedule 206 and applicable to Emergency Service were as follows:

<u>Date</u>	<u>Commodity Price</u>
January 6, 2014	\$1.0775/therm
January 7, 2014	\$7.1140/therm
January 8, 2014	\$2.8835/therm
January 23, 2014	\$8.3015/therm
January 24, 2014	\$3.7700/therm
January 27, 2014	\$5.3515/therm
January 28, 2014	\$8.3300/therm
January 29, 2014	\$2.7240/therm
January 30, 2014	\$1.2875/therm

This pricing for natural gas was unprecedented, representing a per dekatherm cost of gas ranging from roughly \$11/dt up to a price of more than \$83/dt. In comparison, Piedmont's Benchmark Cost of Gas was only \$4.25/dt or \$0.425/therm during this period.

13. Following the end of this service period, Piedmont assessed its billings for the Emergency Service received during the Curtailment Days. In doing so, Piedmont took note of the following factors:

(a) The per therm commodity rates under the two daily pricing indices identified in Rate Schedule 206 were extremely high and in some cases more than 20 times Piedmont's actual cost of gas for the month of January 2014.

(b) Piedmont did not actually purchase any gas on the daily market during the month of January for its transportation customers and did not incur any material incremental gas costs in providing Emergency Service during the Curtailment Days.

(c) For each day during the Curtailment Days that Piedmont made deliveries to Rate Schedule 214 Emergency Gas customers, an equivalent amount of natural gas was received by Piedmont for the accounts of these customers at Piedmont's interconnect points with upstream pipeline suppliers.

(d) Piedmont did not seek out or obtain incremental supplies of gas specifically for the purpose of providing its Rate Schedule 214 customers with Emergency Service because those customers agreed to provide their own gas at Piedmont's request.

(f) The cost to Emergency Gas customers associated with charges under the Rate Schedule 206 "higher of commodity index prices" component would be extremely punitive in this instance because of the extraordinary price spikes experienced in downstream markets during the Curtailment Days.

16. In the face of these factors, and after significant internal discussion, Piedmont reached the conclusion that assessing customers that portion of the Rate Schedule 206 rates intended to keep Piedmont whole for potential incremental purchases of replacement gas -- i.e. the commodity rate calculated as the higher of two commodity indexes applicable to the period of service -- was disproportionately punitive to its customers and not otherwise reasonable. Based on this conclusion, Piedmont billed these customers the underlying tariff rates for the transportation service they received and also billed them the premium portion of Rate Schedule 206 rates (\$1.00 per therm for Emergency Service).

17. Piedmont now seeks corresponding Commission authorization to waive that portion of its Rate Schedule 206 rates that would otherwise require the assessment of commodity index charges, at extraordinarily high levels, where no corresponding costs were actually incurred by Piedmont.

18. In making this request, Piedmont is mindful that it is at variance with the express language of its Rate Schedule 206 but believes that it is consistent with the intent of that tariff and is otherwise reasonable under the totality of the circumstances in this case.

19. Piedmont also advises the Commission that while it intended to file proposed tariff revisions with this petition, it is still in the process of discussing those provisions with the ORS and requests leave to file those revisions for Commission approval after completing its ongoing discussions with the ORS.

WHEREFORE, Piedmont respectfully requests that the Commission enter an order empowering and permitting Piedmont to waive Rate Schedule 206 billing

procedures on a one-time basis to the extent proposed herein and permitting Piedmont to file any proposed tariff revisions following completion of discussions regarding those tariff revisions with the ORS.

Respectfully submitted, this the 24th day of July, 2014.

Piedmont Natural Gas Company, Inc.

s/ Scott M. Tyler
Scott M. Tyler

OF COUNSEL:

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EXHIBIT A

CURTAILED CUSTOMER DETAILS FOR EMERGENCY SERVICE

Line No.	Account Number	Customer Identifier	Date	EMERGENCY SERVICE BILLING AS REQUESTED PER THIS PETITION						EMERGENCY SERVICE BILLING PER ALL COMPONENTS OF CURRENT TARIFF							
				Emergency Service Usage (Therms)	Tariff Interruptible Transportation Rate (\$/Therm)	Emergency Service Premium Charge (\$/Therm)	Tariff Interruptible Transportation Charges (\$)	Emergency Service Premium Charge (\$)	Emergency Service Total Charges (\$)	Emergency Service Usage (Therms)	Tariff Interruptible Transportation Rate (\$/Therm)	Emergency Service Premium Charge (\$/Therm)	Commodity Index Rate (\$/Therm)	Tariff Interruptible Transportation Charges (\$)	Emergency Service Premium Charge (\$)	Commodity Index Charges on Emergency Service (\$)	Emergency Service Total Charges (\$)
1	3075026001		1/6/2014	0	n/a	n/a	n/a	n/a	n/a	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2	3075026001		1/7/2014	0	n/a	n/a	n/a	n/a	n/a	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
3	3075026001		1/8/2014	0	n/a	n/a	n/a	n/a	n/a	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4	3075026001		1/23/2014	0	n/a	n/a	n/a	n/a	n/a	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
5	3075026001		1/24/2014	0	n/a	n/a	n/a	n/a	n/a	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
6	3075026001		1/27/2014	0	n/a	n/a	n/a	n/a	n/a	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
7	3075026001		1/28/2014	0	n/a	n/a	n/a	n/a	n/a	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
8	3075026001		1/29/2014	0	n/a	n/a	n/a	n/a	n/a	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
9	3075026001		1/30/2014	0	n/a	n/a	n/a	n/a	n/a	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
10	2002953610001	CUSTOMER 1	1/7/2014	92	0.25043	1.00000	\$ 23.04	\$ 92.00	\$ 115.04	92	0.25043	1.00000	7.11400	\$ 23.04	\$ 92.00	\$ 654.49	\$ 769.53
11	2002953610001	CUSTOMER 1	1/29/2014	102	0.25043	1.00000	\$ 25.54	\$ 102.00	\$ 127.54	102	0.25043	1.00000	2.72400	\$ 25.54	\$ 102.00	\$ 277.85	\$ 405.39
12	2002953610001	CUSTOMER 1	1/30/2014	428	0.25043	1.00000	\$ 107.18	\$ 428.00	\$ 535.18	428	0.25043	1.00000	1.28750	\$ 107.18	\$ 428.00	\$ 551.05	\$ 1,086.23
13	8000747630001	CUSTOMER 2	1/6/2014	2,000	0.25043	1.00000	\$ 500.86	\$ 2,000.00	\$ 2,500.86	2,000	0.25043	1.00000	1.07750	\$ 500.86	\$ 2,000.00	\$ 2,155.00	\$ 4,655.86
	8000747630001	CUSTOMER 2	1/7/2014	2,000	0.25043	1.00000	\$ 500.86	\$ 2,000.00	\$ 2,500.86	2,000	0.25043	1.00000	7.11400	\$ 500.86	\$ 2,000.00	\$ 14,228.00	\$ 16,728.86
14	8000747630001	CUSTOMER 2	1/8/2014	1,070	0.25043	1.00000	\$ 267.96	\$ 1,070.00	\$ 1,337.96	1,070	0.25043	1.00000	2.88350	\$ 267.96	\$ 1,070.00	\$ 3,085.35	\$ 4,423.31
15	8000747630001	CUSTOMER 2	1/23/2014	5,778	0.25043	1.00000	\$ 1,446.98	\$ 5,778.00	\$ 7,224.98	5,778	0.25043	1.00000	8.30150	\$ 1,446.98	\$ 5,778.00	\$ 47,966.07	\$ 55,191.05
16																	
17	GRAND TOTAL			11,470			\$ 2,872.43	\$ 11,470.00	\$ 14,342.43	11,470				\$ 2,872.43	\$ 11,470.00	\$ 68,917.80	\$ 83,260.23